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Grain and Feed

Russia Temporarily Bans Rice Imports 2006

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Report Highlights:

Russia temporarily stopped issuance of rice import permits and canceled previously issued permits effective December 4, 2006. Import permit issuance by the central office of the Russian phytosanitary service will resume at some undetermined future date, after the border crossing points for rice have been equipped for more thorough inspection of imported rice. In the meantime, domestic Russian rice prices are expected to rise sharply.

Includes PSD Changes: No
Includes Trade Matrix: No
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Executive Summary

Effective December 4, 2006, Russia stopped issuance of rice import permits and canceled previously issued permits. The ban was put into effect through an instruction of the Russian Federal Veterinary and Phytosanitary Surveillance Service (VPSS) to its field offices, which was published on the Russian Ministry of Agriculture's website. Any future resumption of issuance of import quarantine permits for rice will be linked to the equipping of customs inspection points with modern equipment that can better test quality and safety of rice. Experts predict that this ban will lead to higher rice prices in the domestic market, and will result in the further concentration of authority to certify imports of grain products in the central headquarters of VPSS.

VPSS's Informational Letter on Rice Imports

[Unofficial embassy translation]

Begin text:

VPSS Information Statement of 04.12.2006

This year, following its regulatory activities the Federal Veterinary and Phytosanitary Surveillance Service detected an increase in the volume of low-quality and hazardous grain and grain by-products being imported onto the territory of the Russian Federation.

Special concern is raised due to the situation associated with violations in shipments of rice groats from abroad.

About 2,000 MT of low-quality and hazardous groats were detected over the time period – rice with musty flavor (Pakistan, India, Thailand, Egypt); containing spoilt, yellowed and chalky kernels exceeding the standard levels (China); and infested with grain pests (India, Vietnam).

Pesticide residues exceeding the maximum permissible levels (malathion) were detected in rice shipments originating from Spain, Uruguay, and Thailand, and chlorpyrifos from Vietnam.

Residue amounts of an organomercury compound and 2,4-D acid were detected in rice originating from China, and dimethoate was detected in rice from India; presence of the compounds is not permitted.

Furthermore, it may be that long-grain rice received from genetically modified organisms (hereinafter – GMO) and not tested for safety (LL RICE 601 variety, US origin) has been imported to the territory of the Russian Federation.

In accordance with the requirements of the Federal Law dated January 2, 2000, #29-FZ "On Quality and Safety of Food Products" and the Decree of the Russian Federation Government dated May 23, 2006, #305 "On Measures to Ensure State Surveillance and Control over Quality and Safety of Groats, Flour, Pasta and Bakery Products", I order:

- in the event that shipments of low-quality and hazardous rice being imported to the territory of the Russian Federation are detected, expert evaluation must be carried out and a resolution passed with regard to their subsequent use (disposal) or destruction;
- temporarily, starting from December 4, 2006, until further notice from VPSS, issuance of the import quarantine permits for importation of rice to the Russian Federation that have been issued earlier must be suspended and the permits recalled regardless of the country of origin and the shipment;
- interested importing companies must be notified of the suspension of issuance of the import quarantine permits for rice and the recall of the permits issued earlier;
- to identify the number of entry points at the Russian Federation border equipped with tools to determine rice quality and safety features, and to report to VPSS by December 20, 2006.

Henceforth, import quarantine permits for rice will be registered and issued at the VPSS headquarters.

End text.

Source: Press service of the Ministry of Agriculture, www.mcx.ru

Russian Production and Trade in Rice

Rice production in Russia is concentrated in Krasnodar kray, where in 2001-2005 on average 82 percent of Russia's rice was produced. Domestic Russian rice is round rice used primarily for porridge. In 2005 one of the largest Russian agribusiness holding companies, the Razgulyay-Ukrros Group, invested in production and milling of rice in Krasnodar kray. Rice production in this kray increased from a 2004 level of 398,000 metric tons paddy rice (approximately 259,000 mt of milled rice) to 475,000 metric tons paddy (309,000 metric tons milled) in 2005. Some experts estimate that unmilled rice production in Russia will reach 700,000 metric tons in 2006, with most of that growth in Krasnodar kray production. Russia's domestic consumption of milled rice has been stable through 2001- 2005, and is estimated at approximately 720,000 – 730,000 metric tons. The gap between domestic production and consumption is filled with rice imports. Type of imported rice and quality of imported rice has been changing: along with growth of domestic production of round grain rice, imports of long grain rice increased. Starting at the beginning of 2005 the Russian government took several steps to limit imports of rice, with most attention to cheap varieties of round grain rice (GAIN reports RS5019 *New Import Duty on Rice*, and RS5083 *Rice and Products Import Duties*). In January – September 2006 imports of rice decreased to 276,000 metric tons, compared with 310,340 metric tons in January – September 2005.

Russian Production and Trade in Rice, 1,000 MT

	2000	2001	2002	2003	2004	2005	2006 prelim
Production, rough	586	497	483	451	471	572	700
Rice Milled*	381	323	314	293	306	372	455
Imports**	350	346	466	466	467	379	276
including:							
- Semi/wholly milled	340	338	454	459	440	356	NA
including							
- short grain	8	17	20	184	141	137	NA
- middle grain	206	68	177	82	55	27	NA
- long grain	126	252	257	192	244	192	NA
- Broken	8	6	12	6	24	22	NA

* Milling rate is estimated at 0.65

** for 2006 – January-September imports

Source: Federal Statistical Service of the Russian Federation (data on production of rough rice) and Federal Customs Service of the Russian Federation (trade data)

Imports of Rice by Country, CY 2003 – 2005, Metric Tons

Country	2003	2004	2005
0--The World	465,654	466,872	379,124
1 China	264,050	130,281	128,165
2 Vietnam	120,759	107,425	82,973
3 Thailand	41,684	106,536	58,483
4 Kazakhstan	6,192	66,233	30,976
5 Pakistan	2,504	14,452	23,797
6 India	21,262	7,331	22,230
7 Egypt	23	23,074	21,731
8 United States	2,358	2,617	4,621
9 Belgium	3,597	5,229	4,061
10 Spain	687	742	795
Other	2,538	2,953	1,292

Source: Russian Customs Service

Implications of Rice Ban

- The ban will result in short rice supplies, especially of long- and medium-grain rice (i.e., the higher price category rice). Experts estimate that if this ban lasts longer than one month, the price of rice will increase, and may even double. It is unlikely that VPSS can equip custom points with testing equipment by the end of this month, especially given the busy end of the year before the long holidays when all government officials take long vacations. The first to suffer will be consumers of rice in the high price category, who can afford to pay more.
- Rice is the only grain product imported in significant quantities. VPSS appears to be using rice to demonstrate its ability to control trade in grain products. This is substantiated by VPSS's recent public complaints about the quantity of grain products that VPSS's laboratories found unsafe. Although the quantity is hardly greater than in previous years, the data are represented in a more threatening way than was done by the abolished State Grain Inspection Service. These actions may also be related to the reluctance of VPSS to certify independent companies for grain inspection (GAIN Report RS6062 *Grain Surveyors Accuse VPSS of Antitrust Violation*).
- The ban favors one Russian company that invested in domestic rice production. Russian mass media noted that following VPSS's imposition of the rice import ban the price of shares of this company increased immediately by 3 percent after falling for several weeks prior.
- VPSS banned all imports from all countries, instead of rejecting individual shipments, or closing the market to specific companies that consistently ship unsafe products. VPSS also gave different reasons for different countries, creating an opportunity for country-by-country negotiations on rice trade issues, an approach it uses with veterinary issues. One litmus test will be whether VPSS renews certification for each country separately, negotiating the terms of lifting the ban on a case-by-case basis, or lifts its blanket ban on rice imports when border crossing points are considered properly equipped to test imported rice.